



17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

MORGAN HILL

Morgan Hill Civic Center
West Conference Room
17555 Peak Avenue
Morgan Hill, California

Chair	Mike Roorda
Committee Member	Dennis Kennedy
Committee Member	Greg Sellers
Staff: Finance Director	Jack Dilles
City Attorney:	Helene Leichter

FINANCE AND AUDIT COMMITTEE

REGULAR MEETING

Wednesday, March 26, 2003

MINUTES

6:05 P.M.

CALL TO ORDER

Chair Roorda and Committee Members Kennedy & Sellers (arrived at 6:15P. M.);
Staff: Dilles & Leichter

DECLARATION OF POSTING OF AGENDA

In compliance with Government Code 54954.2

PUBLIC COMMENTS

The Morgan Hill Finance and Audit Committee welcomes comments from all individuals on any agenda item being considered by the Committee. In the interest of brevity and timeliness and to ensure the participation of all those desiring an opportunity to speak, comments presented to the Committee are limited to Three Minutes.

BUSINESS:

1. **Approval of minutes for February 26, 2003.**

The minutes for February 26, 2003, were approved.

2. **Potential General Fund Revenue Sources**

Staff presented the staff report concerning potential revenue sources available to the City that would benefit the General Fund and provide financing for new and/or existing programs. Committee Member Sellers indicated that a recent survey showed that there is a slight local majority for a tax under certain circumstances. He indicated that the advantage of a utility tax is that the cost is spread broadly across the taxpayer base and that it would most likely receive the most support compared to other potential tax measures. He also indicated that voters are the most receptive when the dollars start and end in the City. This is a different situation than the situation facing the City 10 years ago partly because the voters must weigh in on any tax measure. Committee Sellers also indicated that he believes an appropriate approach to gauging community support for a tax measure would be to do a survey first and, based upon the results of the survey, propose a tax measure to the voters in November 2004. Committee Member Kennedy indicated a preference for a tax to finance police, fire, and/or recreation. He also asked how a police or fire tax differs from a parcel tax and staff indicated that staff would provide more information about this difference at the next Committee meeting. Committee Member Sellers asked for a list of what types of services a lighting and landscape tax could be used to finance. Staff indicated that staff would return with a complete list of such services. Staff was also asked if a lighting and landscape measure would require a majority of 2/3 approval by voters and staff responded that staff would provide the answer at the next Committee meeting.

Committee Member Kennedy made a motion to continue this subject to the next Committee meeting and Committee Member Sellers seconded. The motion was unanimously approved.

3. **Fund Reserve and Designation Policy**

Staff presented the staff report. Chair Roorda asked why this item was agendized and staff indicated that it was because Committee member Sellers had requested the matter to be scheduled and because the City Council had identified the following goal: "Finance Committee to review other cities' reserve policies and report to the Council." Committee member Sellers indicated that the City Council is looking at how we can expand services while the City is cutting back and at the same time make sure that the City has adequate defined reserve levels that are in line with the reserve levels of other cities. Chair Roorda indicated that there is a fire on the horizon with PERS retirement cost increases, declining revenues, and the State budget crisis, all of which are lining up to drive a need for revenues. The Committee agreed that this item should be re-agendized for the next meeting.

4. Investing to Benefit the Local Economy (Discussion update regarding South Valley National Bank and Heritage Bank South Valley)

Staff presented a staff report concerning investing to benefit the local community. Staff described two alternative strategies to investing locally, consistent with the staff report. Chair Roorda indicated that he liked the ability to invest in a certificate of deposit with the ability to increase the rate once during the term of the proposed two year certificate of deposit with South Valley, should interest rates go up during that period, and he indicated that their beginning interest rate on this investment looked competitive. Committee member recommended that the Committee endorse the changes described in the staff report under "Summary A" and also add in the goal "Encourage local economic benefits to City of Morgan Hill residents and businesses by investing in local financial institutions." Committee Members agreed that it would be best to stay away from specific agreements with individual banks and away from new criteria that might give the perception that the City would be favoring any particular bank. City Attorney Leichter indicated that that Committee Member Kennedy's recommendation would not be a problem as long as the clause "subject to legal control" was added to the proposed goal in the proposed Investment Policy. The Committee approved Committee Member Kennedy's recommendation as changed by the City Attorney's suggested wording. Staff indicated that the proposed changes would be brought to the City Council for their approval.

5. Financial and Investment Report for February 2003

This item was briefly discussed.

6. Changes in Utility Billing Procedures (Information)

This item was not discussed due to time constraints.

7. Future Agenda Items

Committee member Kennedy indicated that he wants to address the Committee about a "VTA ad hoc meeting" he attended. Staff indicated that this topic would be scheduled.

ADJOURNMENT

NOTICE

AMERICANS WITH DISABILITY ACT (ADA)

The City of Morgan Hill complies with the Americans with Disability Act (ADA) and will provide reasonable accommodation to individuals with disabilities to ensure equal access to all facilities, programs and services offered by the City.

If assistance is needed regarding any item appearing on the City Council agenda, please contact the Office of the City Clerk at 17555 Peak Avenue or call 779-7259 or (Hearing Impaired only - TDD 776-7381) to request accommodation.